

Ms. Linda White, Reimbursement Manager
Health Care and Retirement Corporation
One Seagate, 23rd Floor
Toledo, Ohio 43604

Re: AC# 3-OKW-J5 – Health Care and Retirement Corporation of America d/b/a
Oakmont West Nursing Home

Dear Ms. White:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**HEALTH CARE AND RETIREMENT
CORPORATION OF AMERICA
D/B/A OAKMONT WEST NURSING HOME**

GREENVILLE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1996
AC# 3-OKW-J5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 12, 1997

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Health Care and Retirement Corporation of America d/b/a Oakmont West Nursing Home, for the contract periods beginning October 1, 1996 and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Health Care and Retirement Corporation of America d/b/a Oakmont West Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Health Care and Retirement Corporation of America d/b/a Oakmont West Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
December 12, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT WEST NURSING HOME**

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1996
AC# 3-OKW-J5

	<u>10/01/96- 03/31/97</u>	<u>04/01/97- 09/30/97</u>
Interim reimbursement rate (1)	\$79.45	\$79.45
Adjusted reimbursement rate	<u>77.59</u>	<u>77.59</u>
Decrease in reimbursement rate	\$ <u>1.86</u>	\$ <u>1.86</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 15, 1997

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT WEST NURSING HOME**

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1996 Through March 31, 1997
AC# 3-OKW-J5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.85	\$36.01	\$40.65	\$36.01
Dietary	<u>.60</u>	<u>7.91</u>	<u>8.59</u>	<u>7.91</u>
Subtotal	<u>\$3.45</u>	43.92	49.24	43.92
Laundry/Housekeeping/Maint.	\$.34	6.70	7.04	6.70
Administration & Med. Rec.	<u>-</u>	<u>10.23</u>	<u>8.55</u>	<u>8.55</u>
Subtotal	<u>\$.34</u>	60.85	<u>\$64.83</u>	59.17
<u>Costs Not Subject to Standards:</u>				
Utilities		1.92		1.92
Special Services		.33		.33
Medical Supplies & Oxygen		2.62		2.62
Taxes and Insurance		2.29		2.29
Legal Fees		<u>.43</u>		<u>.43</u>
TOTAL		<u>\$68.44</u>		66.76
Inflation Factor (4.90%)				3.27
Cost of Capital				9.08
Cost of Capital Limitation				(3.52)
Profit Incentive (Max. 3.5% of Allowable Cost)				.34
Cost Incentive - For General Services & Dietary				3.45
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(2.04)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$77.59</u>

HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT WEST NURSING HOME
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 1, 1997 Through September 30, 1997
 AC# 3-OKW-J5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.06	\$36.01	\$43.70	\$36.01
Dietary	<u>.60</u>	<u>7.91</u>	<u>8.59</u>	<u>7.91</u>
Subtotal	\$ <u>3.66</u>	43.92	52.29	43.92
Laundry/Housekeeping/Maint.	\$.34	6.70	7.04	6.70
Administration & Med. Rec.	<u>-</u>	<u>10.23</u>	<u>8.55</u>	<u>8.55</u>
Subtotal	\$ <u>.34</u>	60.85	\$ <u>67.88</u>	59.17
<u>Costs Not Subject to Standards:</u>				
Utilities		1.92		1.92
Special Services		.33		.33
Medical Supplies & Oxygen		2.62		2.62
Taxes and Insurance		2.29		2.29
Legal Fees		<u>.43</u>		<u>.43</u>
TOTAL		\$ <u>68.44</u>		66.76
Inflation Factor (4.90%)				3.27
Cost of Capital				9.08
Cost of Capital Limitation				(3.52)
Profit Incentive (Max. 3.5% of Allowable Cost)				.34
Cost Incentive - For General Services & Dietary				3.66
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(2.25)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>77.59</u>

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT WEST NURSING HOME**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-OKW-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,691,913	\$ -	\$19,511 (2) 19,913 (3) 39,026 (3)	\$1,613,463
Dietary	354,355	-	-	354,355
Laundry	81,144	-	529 (3)	80,615
Housekeeping	130,731	-	-	130,731
Maintenance	89,210	-	423 (3)	88,787
Administration & Medical Records	433,105	19,511 (2) 15,141 (3)	9,311 (3)	458,446
Utilities	85,997	42 (3)	-	86,039
Special Services	14,647	-	-	14,647
Medical Supplies & Oxygen	117,512	-	-	117,512
Taxes & Insurance	102,771	-	-	102,771
Legal Fees	19,224	-	-	19,224

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT WEST NURSING HOME**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-OKW-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	399,965	50 (3)	914 (1)	406,928
	<u> </u>	<u>7,827</u> (4)	<u> </u>	<u> </u>
Subtotal	3,520,574	42,571	89,627	3,473,518
Ancillary	20,064	-	-	20,064
Non-Allowable	(6,531)	914 (1)	7,827 (4)	40,525
	<u> </u>	<u>54,495</u> (3)	<u>526</u> (3)	<u> </u>
Total Operating Expenses	<u>\$3,534,107</u>	<u>\$97,980</u>	<u>\$97,980</u>	<u>\$3,534,107</u>
TOTAL PATIENT DAYS	<u>44,809</u>	<u>-</u>	<u>-</u>	<u>44,809</u>
TOTAL BEDS	<u>125</u>			

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT WEST NURSING HOME**

Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-OKW-J5

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Nonallowable	\$ 914	
	Accumulated Depreciation	9,292	
	Fixed Assets		\$ 6,795
	Other Equity		2,497
	Cost of Capital - Depreciation Expense		914
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 100		
2	Administration	19,511	
	Restorative		19,511
	To correctly post provider's Adjusting Journal Entry #9 HIM-15-1, Section 2304		
3	Nonallowable	54,495	
	Medical Records	15,141	
	Utilities	42	
	Cost of Capital	50	
	Laundry		529
	Maintenance		423
	Beauty and Barber		526
	Nursing		19,913
	Restorative		39,026
	Administration		9,311
	To adjust shared services allocation HIM-15-1, Section 1000		
4	Cost of Capital	7,827	
	Nonallowable		7,827
	To adjust Cost of Capital return State Plan, Attachment 4.19D		
		<u> </u>	<u> </u>
	TOTAL ADJUSTMENTS	<u>\$107,272</u>	<u>\$107,272</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT WEST NURSING HOME**

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-OKW-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>125</u>
Deemed Asset Value	3,996,625
Improvements Since 1981	1,417,103
Accumulated Depreciation at 9/30/95	(1,133,816)
Net Book Value of Laundry Assets	<u>27,554</u>
Deemed Depreciated Value	4,307,466
Market Rate of Return	<u>0.070</u>
Total Annual Return	301,523
Return Applicable to Non-Reimbursable Cost Centers	(1,232)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>636</u>
Allowable Annual Return	300,927
Depreciation Expense	105,377
Amortization Expense	1,730
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,106)</u>
Allowable Cost of Capital Expense	406,928
Total Patient Days (Actual)	<u>44,809</u>
Cost of Capital Per Diem	\$ <u>9.08</u>

HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT WEST NURSING HOME

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-OKW-J5

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 1.57
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.56</u>
Reimbursable Cost of Capital Per Diem	\$ 5.56
Cost of Capital Per Diem	<u>9.08</u>
Cost of Capital Per Diem Limitation	\$ (<u>3.52</u>)